

## Message Text

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SUBJECT: TRANSCRIPT OF PRESS BRIEFING ON PIPELINE TALKS

REF: STATE 51367

1. FOLLOWING IS TRANSCRIPT OF PRESS BRIEFING BY DEPUTY  
ASSISTANT SECRETARY KATZ AND MISS PAM MCDOUGALL FOLLOWING  
PIPELINE TALKS MARCH 6 FOR YOUR INFORMATION AND GUIDANCE:

BEGIN TEXT: MR. FUNSETH: GOOD AFTERNOON.

A BILATERAL MEETING BETWEEN THE UNITED STATES AND  
CANADA, CONTINUING DISCUSSIONS ON A TRANSIT PIPELINE  
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AGREEMENT WHICH BEGAN LAST NOVEMBER IN OTTAWA, TOOK PLACE  
IN THE DEPARTMENT TODAY.

THE US DELEGATION WAS HEADED BY JULES KATZ, ACTING

ASSISTANT SECRETARY FOR ECONOMIC AND BUSINESS AFFAIRS;  
AND THE CANADIAN DELEGATION WAS HEADED BY MISS PAM  
MCDUGALL, DIRECTOR GENERAL, BUREAU OF ECONOMIC AND  
SCIENTIFIC AFFAIRS, DEPARTMENT OF EXTERNAL AFFAIRS, OTTAWA.

THE TWO HEADS OF DELEGATION HAVE KINDLY AGREED TO  
COME DOWN TO THE BRIEFING ROOM TO PROVIDE YOU, ON BACKGROUND,

INFORMATION ON THE TALKS TODAY, ANSWER YOUR QUESTIONS.

THE USUAL GROUND RULES APPLY. THE REPLIES TO YOUR  
QUESTIONS ARE NOT FOR DIRECT QUOTATION OR ATTRIBUTION.  
IN OTHER WORDS, YOU MAY PARAPHRASE WHAT THEY SAY,  
ATTRIBUTING MISS MCDUGALL'S REPLIES TO AN EXTERNAL  
AFFAIRS OFFICIAL AND MR. KATZ' REPLIES TO A STATE DEPART-  
MENT OFFICIAL.

PAM? JULES?

MR. KATZ: PERHAPS I COULD BEGIN WITH JUST A BRIEF  
STATEMENT OF WHAT WE WERE UP TO. THIS WAS THE SECOND  
MEETING WE'VE HAD ON A NEGOTIATION OF A TREATY DEALING  
WITH TRANSIT PIPELINES HAVING TO DO WITH HYDROCARBONS,  
PRIMARILY -- OIL OR NATURAL GAS.

THE TREATY WE ARE DISCUSSING IS OF A GENERAL  
CHARACTER, PROVIDING FOR GENERAL PROVISIONS HAVING TO DO  
WITH CONDITIONS OF ACCESS, NON-DISCRIMINATORY TREATMENT  
WITH REGARD TO -- TAXES, CHARGES, FEES -- WHATEVER.

WE MET THROUGH MOST OF THE DAY, DISCUSSING THE  
ELEMENTS OF THE AGREEMENT IN CONCEPTUAL TERMS, WORKING  
FROM A VERY PRELIMINARY DRAFT -- OR, REALLY, TWO DRAFTS  
THAT WE HAVE EXCHANGED.

WE HAVE NOT, IN THE COURSE OF THE DAY, UNCOVERED  
ANY PROBLEMS WHICH WE WOULD REGARD AS BEING INSUPERABLE.  
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MOST OF OUR DISCUSSIONS WERE REALLY OF A TECHNICAL AND  
LEGAL CHARACTER -- TALKING ABOUT LEGAL CONCEPTS IN THE  
TWO COUNTRIES, CONSTITUTIONAL PRINCIPLES WITH REGARD TO  
THE DIFFERENCE BETWEEN FEDERAL OR OTHER GOVERNMENTAL  
AUTHORITIES. AND WE FEEL WE'VE MADE GOOD PROGRESS IN  
THE COURSE OF THE DAY.

WE EXPECT TO HAVE ANOTHER MEETING IN, ROUGHLY, A  
MONTH TO CONTINUE THIS.

PAM, IS THERE ANYTHING YOU WANT TO ADD TO THAT?

MISS MCDUGALL: NO, I DON'T THINK SO, JULES. I WOULD SIMPLY SECOND YOUR REMARKS. THIS HAS BEEN A MOST USEFUL DISCUSSION. WE HAVE NOW STARTED TO GET DOWN TO SOME OF THE NITTY-GRITTY.

IT WAS, AS YOU SAY, A PRETTY TECHNICAL DISCUSSION, BUT I THINK A PRODUCTIVE ONE; AND WE LOOK FORWARD TO

HAVING YOU JOIN US IN OTTAWA IN, AS YOU SAY, THE NEXT MONTH OR SO.

Q. MR. KATZ, AS I RECALL, SENATOR BROCK, A COUPLE OF MONTHS AGO SUGGESTED THAT A TAX BE PLACED ON CANADIAN OIL PASSING THROUGH US TERRITORY IN RETALIATION FOR THE CANADIAN EXPORT TAX ON ITS OIL. IS THAT THE KIND OF THING YOU'RE DISCUSSING?

MR. KATZ: WELL, WE DID NOT SPECIFICALLY DISCUSS A TAX ON CANADIAN OIL TRANSITING THE UNITED STATES. WHAT WE TALKED ABOUT SPECIFICALLY WAS A TREATY PROVIDING FOR ASSURED ACCESS, NON-IMPEDANCE OF THROUGHPUT THROUGH PIPELINES, AND NON-DISCRIMINATORY TREATMENT.

NOW -- WELL, LET ME STOP AT THAT POINT.

Q. IS IT TOO EARLY TO SAY WHEN YOU MIGHT GET A TREATY WRAPPED UP? I MEAN, CAN YOU GIVE US ANY FORECAST ON WHEN SOMETHING MIGHT BE IN THE STAGE FOR RATIFICATION?

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MR. KATZ: WELL, I WOULDN'T REALLY WANT TO HAZARD A GUESS. OUR INTENTION -- I THINK ON BOTH SIDES -- IS TO WORK QUITE DELIBERATELY. AS I SAY, WE'RE REALLY AT THE BEGINNINGS OF THIS PROCESS. WE HAVEN'T UNCOVERED ANY SERIOUS OBSTACLES OR PITFALLS YET, AS FAR AS WE CAN SEE. BUT I THINK IT'S A LITTLE HARD TO JUDGE THE PRECISE TIMING.

Q. IN THE INTERIM DISCUSSIONS WITH THE PROVINCES ON SOME OF THE CONSTITUTIONAL PROBLEMS -- ARE THEY MORE OBVIOUS IN CANADA THAN THEY ARE, PERHAPS, DOWN HERE IN CONNECTION WITH THE TREATY?

MISS MCDUGALL: HAVE THEY BEEN, OR --

Q. WELL, IN-BETWEEN THE MEETINGS.

MISS MCDUGALL: YES. WE HAVE ALREADY -- THE FEDERAL GOVERNMENT HAS ALREADY BEEN IN TOUCH WITH THE PROVINCES ON THIS SUBJECT, AND FEDERAL OFFICIALS HAVE STARTED A

SERIES OF TALKS WITH PROVINCIAL OFFICIALS TO DISCUSS THE NATURE OF THIS TREATY.

ONE OF THE PROBLEMS REALLY IN DETERMINING THE DEGREE OF CONSULTATION WHICH MAY EVENTUALLY BE ARRANGED FOR IS THAT A GOOD DEAL OF THIS DEPENDS ON THE CONTENT OF THE

TREATY. AND WE'RE NOT REALLY AT THE POINT WHERE WE CAN DETERMINE JUST EXACTLY WHAT ASPECTS OF IT WOULD BE OF DIRECT INTEREST TO THE PROVINCES. SO AS WE WORK FORWARD IN OUR DISCUSSIONS WITH OUR AMERICAN COLLEAGUES, WE WILL BE ALSO GETTING A CLEARER PICTURE OF THE NATURE OF THE CONSULTATIONS WITH THE PROVINCES.

Q. COULD I ASK FOR SOME SPECIFIC INDICATION OF THE PIPELINE? WHERE DOES IT START, AND WHERE IS IT PROPOSED THAT IT END?

MISS MCDUGALL: THIS IS A GENERAL TREATY. IT'S ENVISAGED AS A GENERAL TREATY -- NOT APPLYING TO ANY LIMITED OFFICIAL USE  
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SPECIFIC PIPELINE BUT TO PIPELINES WHICH TRANSIT CANADA OR THE UNITED STATES EN ROUTE TO THE TERRITORY OF THE OTHER PARTY.

Q. DO WE HAVE OTHER --

MR. KATZ: LET ME JUST ADD TO THAT, IF I MAY.  
YOU KNOW, I THINK WE OUGHT TO PUT THIS IN PERSPECTIVE IN TERMS OF WHAT WE'RE TALKING ABOUT.

THERE ARE A NUMBER OF EXISTING PIPELINES OF THIS CHARACTER. THE TRANSIT PIPELINES ARE PRIMARILY, BUT NO EXCLUSIVELY, OIL PIPELINES.

NOW, ONE MAJOR PROJECT WHICH IS IN THE BACKGROUND IS THE POSSIBILITY OF A PIPELINE OR PIPELINES FROM THE NORTH -- THAT IS, FROM THE ARCTIC. WE ARE NOT DEALING WITH THOSE SPECIFIC PROJECTS. THEY ARE NOW THE SUBJECT OF PROCEEDINGS BEFORE REGULATORY BODIES IN BOTH COUNTRIES -- THE FEDERAL POWER COMMISSION IN THE UNITED STATES, AND THE NATIONAL ENERGY BOARD IN CANADA. BUT THE SPECIFIC PROJECT, WHICH IS ONE OF THE PROJECTS BEING CONSIDERED, IS A NATURAL GAS PIPELINE COMING FROM THE NORTH SLOPE OF ALASKA THROUGH THE MACKENZIE VALLEY IN CANADA, CARRYING BOTH ALASKAN GAS AND MACKENZIE GAS TO THE MIDDLE OF THE CONTINENT.

NOW, IF THAT PROJECT MATERIALIZES, IT WILL BE A VERY LARGE AND VERY EXPENSIVE PROJECT AND A CLEAR MOTI-

VATION ON OUR PART. AND I THINK I'LL LET MISS MCDUGALL SPEAK FOR CANADA, BUT IT'S ON THE RECORD ON THE PART OF THE CANADIAN GOVERNMENT AS WELL, TO FACILITATE THAT KIND OF A PROJECT -- IF IT IS OTHERWISE FOUND ACCEPTABLE BY THE REGULATORY BODIES WITH RESPECT TO THE ECONOMICS AND THE ENVIRONMENTAL CONSIDERATIONS.

SO I DO WANT TO MAKE IT CLEAR THAT THAT IS IN THE BACKGROUND, BUT WE ARE NOT SPECIFICALLY TREATING THAT PROJECT.

Q. IS THERE ANY EXISTING AMERICAN PIPELINE THAT LIMITED OFFICIAL USE  
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TRANSITS CANADA?

MR. KATZ: YES. WELL, THERE IS AT LEAST ONE SMALL GAS PIPELINE THAT DOES THAT. THERE MAY BE AN OIL PIPELINE, TOO.

Q. YOU SAID THERE WAS AN EXCHANGE OF VERY PRELIMINARY DRAFTS. I WONDER IF YOU COULD GIVE US ANY MORE EXPLANATION OF THOSE DRAFTS, AND WHETHER OR NOT THERE ARE ANY DIFFERENCES OF ANY SUBSTANCE BETWEEN THEM?

MR. KATZ: WELL, AS I INDICATED, WE WERE NOT TRYING TO GET INTO DRAFTING. WE WERE USING THIS PRELIMINARY DRAFT AS REALLY A POINT OF DEPARTURE AND A BASIS FOR DISCUSSION, AND WE WERE REALLY TRYING TO DEVELOP OR CLARIFY CONCEPTS, AND TO SEE WHETHER THERE ARE ANY ISSUES OF A MAJOR CHARACTER.

MY JUDGMENT IS THAT WE HAVE NOT UNCOVERED ANY ISSUE WHICH WOULD APPEAR TO BE OF AN INSURMOUNTABLE NATURE. THERE ARE OBVIOUSLY DIFFERENCES IN THE LEGAL SYSTEMS OF THE TWO COUNTRIES WHICH WILL HAVE TO BE MESHED, BUT I DON'T, AT THE MOMENT, SEE ANY PROBLEM OF AN INSUPERABLE CHARACTER.

Q. MR. KATZ, DO YOU THINK THAT THE UNITED STATES SENATE MIGHT CREATE SOME DIFFICULTIES IN THE WAY OF THIS TREATY?

MR. KATZ: WELL, THAT IS A QUESTION THAT WE WILL HAVE TO BE ASSURED ABOUT AS WE PROCEED. BUT I THINK IF WE THOUGHT THAT THAT WAS OUT OF THE QUESTION, WE WOULDN'T BE TALKING ABOUT IT. NO, I DON'T, AT THE MOMENT, SEE ANY PROBLEMS, BUT IN THE NATURE OF THE NEGOTIATING PROCESS WE WILL WANT TO UNDERTAKE THE NECESSARY CONSULTATIONS TO BE SURE. BUT I DON'T SEE -- AGAIN, I DON'T SEE ANY MAJOR PROBLEMS.

Q. MIGHT I FOLLOW UP? ARE YOU CONSULTING WITH  
SENATE LEADERS ON THESE NEGOTIATIONS?

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MR. KATZ: WELL, WE HAVE NOT YET, BECAUSE WE ARE  
NOT AT THE POINT WHERE WE HAVE ANYTHING SPECIFIC TO

CONSULT ABOUT. BUT LET ME ALSO ADD -- AND I SHOULD HAVE  
MENTIONED THIS IN CONNECTION WITH YOUR FIRST QUESTION --  
THERE IS ACTUALLY A MANDATE FROM THE UNITED STATES  
CONGRESS CONTAINED IN THE TRANS-ALASKA PIPELINE AUTHORI-  
ZATION ACT. IT IS THE ALASKA PIPELINE LEGISLATION  
WHICH DIRECTS THE PRESIDENT TO EXPLORE THE FEASIBILITY  
OF PIPELINE TREATIES -- OF A TREATY OR TREATIES --  
HAVING TO DO WITH PIPELINES FROM THE ARCTIC.

THAT, OF COURSE, IS NOT A PRIOR GRANT OF AUTHORITY,  
BUT THERE IS A STRONG PRESUMPTION, AND WAS A STRONG  
PRESUMPTION IN THE CONGRESS AT THE TIME THE ALASKA  
PIPELINE LEGISLATION WAS CONSIDERED THAT WE OUGHT TO BE  
MOVING IN THIS DIRECTION.

Q. DOESN'T THAT LEGISLATION CONTAIN A TIME, A  
DATE, BY WHICH A REPORT IS TO BE MADE?

MR. KATZ: I THINK THAT HAS TO DO WITH THE ECONOMIC  
FEASIBILITY SURVEY WHICH IS BEING UNDERTAKEN BY THE  
DEPARTMENT OF INTERIOR.

Q. AS YOU KNOW, UNDOUBTEDLY, THERE IS A COMPETING  
PIPELINE PROJECT BY THE EL PASO NATURAL GAS COMPANY  
WHICH WOULDN'T GO THROUGH CANADA AT ALL, BUT WOULD  
INVOLVE GOING TO THE PORT OF VALDEZ, AND THEN LIQUIFYING  
THE GAS AND SHIPPING IT DOWN THE WEST COAST.

CHARGES HAVE BEEN RAISED THAT THE STATE DEPARTMENT  
IN CARRYING ON THESE NEGOTIATIONS, WHICH WOULD, AS YOU  
JUST ADMITTED, FACILITATE THE ROUTE FROM THE NORTH  
SLOP DOWN THE MACKENZIE VALLEY, AND SO FORTH, THAT YOU  
ARE SORT OF GIVING THAT PROJECT A LEG UP, SO TO SPEAK.

CAN YOU COMMENT ON THAT? IN OTHER WORDS, IT IS  
GIVING AN ADVANTAGE TO ONE OF THE TWO COMPETING --.

MR. KATZ: WELL, I THINK THAT IS A RATHER STRANGE  
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INTERPRETATION. I DON'T THINK WE ARE MANDATED TO PUT OBSTACLES IN THE WAY OF ONE OF THE APPLICATIONS. IN FACT, THE EL PASO APPLICATION HAS BEEN PRESENTED TO THE FEDERAL POWER COMMISSION. THERE HAS NOT BEEN AN APPLICATION TO THE DEPARTMENT OF INTERIOR WITH REGARD TO A RIGHT-OF-WAY, ALTHOUGH APPARENTLY THERE IS AN INTENTION TO DO THAT. BUT WE ARE NOT TAKING A POSITION WITH REGARD TO ONE PROJECT OR ANOTHER PROJECT.

I SHOULD SAY THERE IS ALSO A COMPETING APPLICATION IN CANADA -- THE SO-CALLED MAPLE LEAF PROJECT.

MISS MCDUGALL: THE POSSIBILITY OF ONE.

MR. KATZ: WELL, I GUESS AN APPLICATION HASN'T BEEN PRESENTED IN THAT CASE. BUT IT IS NOT OUR PURPOSE TO DEAL WITH ONE APPLICATION OR ANOTHER APPLICATION, BUT RATHER IF FOR OTHER REASONS, TAKING ALL FACTORS INTO ACCOUNT, THE REGULATORY AGENCIES, PLUS THE GOVERNMENTS, CONCLUDE THAT THERE SHOULD BE A TRANSIT PIPELINE, THEN THERE WILL BE SOME INTER-GOVERNMENTAL UNDERSTANDINGS UNDERPINNING THAT, AND THAT WOULD BE USEFUL. BUT THAT DOESN'T DECIDE THE ECONOMICS OR ENVIRONMENTAL CONSIDERATIONS AND ALL THE OTHER CONSIDERATIONS THAT WILL BE LOOKED AT BY THE FEDERAL POWER COMMISSION AND THE DEPARTMENT OF INTERIOR, OR THE SECRETARY OF INTERIOR, IN ARRIVING AT A DECISION.

Q. AM I TO UNDERSTAND THAT WHEN THIS THING IS SHAPED UP THAT IT WOULD BE IMPOSSIBLE FOR THE KIND OF RETALIATORY TAX THAT SOME SENATORS HAVE BEEN TALKING ABOUT?

Q. TRANSIT TAXES, FOR EXAMPLE.

MR. KATZ: YES. IT WOULD PRECLUDE A TRANSIT TAX. BUT, OF COURSE, THERE WOULD BE RECIPROCAL ASSURANCES, AND IN ANY CASE WE ARE NOT CONTEMPLATING SUCH TAXES AT THIS TIME. AND THERE MAY BE SOME OTHER LEGAL BARRIERS TO THEM IN ANY CASE THAT I WOULDN'T WANT TO GET INTO NOW. BUT THAT IN ITSELF IS NOT, TO MY MIND, A RELEVANT LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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CONSIDERATION AT THIS POINT.

Q. THANK YOU. END TEXT

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